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HR70-14

January 23, 1968

Since the proposed sale to the MAU/WANG syndicate appears not to have been possible, CATCL has two alternatives:

- (a) Close down the scheduled operation, both international and domestic at an early date, or,
- (b) Continue a minimum, one aircraft, international operation. (In this case the GRC might require that a one aircraft domestic operation also be continued.)

Under alternative (b) the international operation would presumably carry commercial cargo as well as company cargo and passengers between Taiwan and Air America's bases in Southeast Asia. If the volume of activity in this area proved to be insufficient to keep one aircraft adequately occupied, then it would probably be more economical to purchase space from other scheduled carriers and alternative (a) would become the solution.

An operation between Taiwan and Southeast Asia can be performed more economically with a 727 than with fully depreciated piston equipment such as the DC6-A unless the 727 utilization drops below about seven (7) hours per day. In order to get this utilization to defray depreciation and other fixed costs, charter flights probably supplemented by some cooperative effort worked out between CAT and CAL would

APPROVED FOR RELEASE □ DATE:
21-Oct-2009

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be needed, and CAL would undoubtedly require that these flights carry passengers as well as cargo. At this point we come into conflict with our policy directive which prohibits international passengers.

CONCLUSION

It is our opinion that in cooperation with CAL utilization for one 727 can be developed. The next action required is to explore the subject with CAE. If discussions indicate otherwise, then I feel we should move promptly to discontinue all 727 scheduled operation and reassess the piston cargo schedule to Southeast Asia.



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